

## MEMORANDUM

**FROM:** Burt L. Saunders  
**DATE:** May 18, 2015  
**SUBJECT:** Special Session Report

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### **Introduction**

On Friday, May 15, Senate President Andy Gardiner and House Speaker Steve Crisafulli announced that the Legislature's budget conference will officially convene on June 1 and will hopefully be concluded by June 20. This special session will primarily cover budget issues; these include the expansion of Medicaid, the end of Medicaid Low Income Pool funding, the Governor's comprehensive tax cut package, and the implementation of Amendment 1. Curiously, a variety of other issues have been brought to the table, such as the Hospital Certificate of Need program and the restructuring of ambulatory surgical centers. Below are synopses of the bills that will be heard during the 2015 special legislative session.

### **Governor's Budget Memo**

In addition to the announcement by Speaker Crisafulli and President Gardiner, the Governor released his own memo regarding the special session. This confirmed that the budget process must be concluded by June 30, and it provided a list of critical service needs that must be addressed during the budget proceedings. These include operating deficits in the Department of Corrections, Juvenile Justice, Health, Children and Families, and the Florida Education Finance Program; Medicaid funding; the Department of Transportation Work Program; various economic development and housing programs; minimum operating requirements for emergency management; Fixed Capital Outlay for critical maintenance and repairs; the implementation of Amendment 1; funding for the Florida Retirement System; and the repayment of the final transfer for the Budget Stabilization Fund.

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### **HB 7141: Relating to Taxation**

HB 7141, formerly known as PCB FTC5 in the House Finance and Tax Committee, would have provided for a range of tax reductions designed to directly impact both households and businesses. The bill would have cut the communications services tax rate from 6.65% to 3.05% and the state sales tax rate on rental of commercial real estate from 6% to 5.8%. It also would have created sales tax exemptions for agricultural items, irrigation equipment, repairs of farm equipment, sales at school book fairs, college textbooks, recycling machinery, gun club memberships, and motor vehicles brought into Florida by military service members deployed outside the United States. The bill would have created a three-day sales tax holiday for “back to school” clothing, footwear, school supplies, and computers; a one-day sales tax holiday on November 28 (Black Friday) for sales of items priced at \$1,000 or less by certain small businesses; and a one-day sales-tax holiday on July 4 for firearms, ammunition, camping tents, and fishing supplies. The property tax exemption for widows, widowers, the blind, and the permanently and totally disabled would have been increased from \$500 to \$5,000, and the partial homestead exemption for military service members deployed overseas would have been expanded. The total tax credit available for the voluntary cleanup of brownfields would have been increased, and the bill would have created a corporate income tax credit for defense contractors that hire Florida subcontractors. The Community Contribution Tax Credit program would have been expanded by \$13.3 million for one year. The obsolete Florida estate tax and the \$5 fee to register certain vehicles to transport alcoholic beverages would have been eliminated.

Overall, the bill would have provided for \$642.4 million in tax cuts, which is slightly less than the Governor’s recommended \$670 million in cuts. HB 7141 passed in the House of Representatives, and it was referred to the Senate Appropriations and Rules committees. Due to the departure of the House of Representatives on April 28, this bill was not heard in the Senate, although its language may go into the budget implementation bill.

### **SB 7044: Florida Health Insurance Affordability Exchange**

SB 7044, filed in the Senate Health Policy Committee, would have provided an alternative funding method for charity hospitals in the event of the cancellation of Federal Medicaid Low Income Pool funding. The bill would have established the Florida Health Insurance Affordability Exchange (FHIX), which would have provided healthcare coverage to individuals in households that make less than 138% of the Federal poverty level. In effect, the program would have served as an alternative to the Medicaid expansion provision of the Affordable Care Act of 2009. Participants in the program would have been required to provide proof of employment, continuing education, on-the-job training, or placement activities, and they would have been required to apply for high-deductible traditional health insurance plans. Enrollees would have been required to make monthly premium payments, which would have been supplemented by the state based on their personal income, with the maximum monthly premium being capped at \$25. SB 7044 was filed on March 5, passed in the Senate Health Policy Committee on March 10,

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passed in the Senate Appropriations Subcommittee on Health and Human Services on March 17, and passed in the Senate Appropriations Committee on March 25. Due to the departure of the House of Representatives on April 28, this bill was not heard, although the Florida Health Insurance Exchange program will likely become a major point of contention during the budget negotiations in June.

### **Implementation of Amendment 1**

Amendment 1 is an amendment to the Florida state constitution that was passed in 2014. It fundamentally alters the way that documentary tax stamp revenues are spent by redistributing 33% those revenues to the Department of Environmental Protection's Land Acquisition Trust Fund, and it consolidates the vast array of environmental protection trust funds that the state currently maintains into a smaller and better organized set of funds within the Department of Environmental Protection, the Agency for Persons with Disabilities, the Department of Agriculture and Consumer Services, the Department of State, and the Department of Transportation. The amendment also prohibits those funds from becoming mixed with other sources of revenue, which previously made it virtually impossible to accurately determine how much money was going into the environmental protection trust funds.

### **SB 586**

SB 586 would have provided for the distribution of 33% of the state's documentary tax stamp revenues directly to the Land Acquisition Trust Fund of the Department of Environmental Protection. It also would have eliminated the funding provisions for all of the now-obsolete environmental trust funds, and it would have required that all future disbursements to the new set of environmental trust funds will come directly from the Land Acquisition Trust Fund. This was the primary goal of Amendment 1, which passed with nearly 75% of the vote in November 2014. SB 586 was filed on January 30, and it was found favorable in the Senate Environmental Preservation and Conservation Committee on February 18. It passed in the Senate Appropriations Subcommittee on General Government on March 11 and in the Senate Appropriations Committee on March 18. Due to the departure of the House of Representatives on April 28, this bill was not heard during the regular legislative session, although its language may be included in the budget implementation bill that will be drafted in June.

### **SB 584**

SB 584 covers the trust fund restructuring requirement of Amendment 1. It stipulates that documentary tax stamp funding will no longer be mixed with other sources of revenue and fees, and that the revenue from the documentary tax stamp will only be deposited into the Land Acquisition Trust Fund. SB 584 would also restructure or terminate a number of existing environmental trust funds, with the majority of those funds being consolidated into the Land Acquisition Trust Fund. SB 584 does not terminate any programs that currently receive state

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funding; it simply consolidates them into a smaller set of funds, which will ease the accounting and distribution process. SB 584 was filed on January 30, and it was found favorable in the Senate Environmental Preservation and Conservation Committee on February 18. It passed in the Senate Appropriations Subcommittee on General Government on March 11 and in the Senate Appropriations Committee on March 18. It passed on the floor of the Senate on April 1, but it did not go to the House. It will likely become part of the language of the budget implementation bill.

### **Creation of New Land Acquisition Trust Funds**

Four bills filed by Senator Dean on January 30 will create several divisions of the Land Acquisition Trust Fund within the Agency for Persons with Disabilities, the Department of Agriculture and Consumer Services, the Department of State, and the Department of Transportation. Documentary tax stamp revenues deposited within the Department of Environmental Protection's Land Acquisition Trust Fund (LATF) will be further appropriated to these trust funds, and from there they will be appropriated to various state environmental programs. This will allow every dollar deposited into the LATF at the Department of Environmental Protection (DEP) to be easily tracked to its final destination. Senate Bills 576, 578, 580, and 582 were found favorable in the Senate Environmental Preservation and Conservation Committee on February 18. These bills all passed in the Senate Appropriations Subcommittee on General Government on March 11, and they passed in the Senate Appropriations Committee on March 18. They passed the floor of the Senate on April 1, but they were not heard in the House. They will become a major component of the budget implementation bill.

### **HB 999: Relating to Recovery Care Centers**

HB 999, by Representative Fitzenhagen, permits overnight stays at ambulatory surgical centers by changing the maximum allowed stay from "the same working day" to 24 hours, and by striking the provision of the current statute that prohibits overnight stays at those centers. Beyond that, the bill primarily deals with regulating recovery care centers, which would hold patients for recovery in the 24-72 hour range. HB 999 was filed on March 25, passed in the Health Innovation Subcommittee on March 10, passed in the Health Care Appropriations Subcommittee on March 31, and passed in the Health & Human Services Committee on April 9. It was never heard on the House floor, although it will be re-introduced during the 2015 special session as a component of the budget negotiations.

### **SB 2500: Relating to Appropriations**

SB 2500, which was filed in the Senate Appropriations Committee, serves as the general budget implementation bill. As it is currently written, the Senate bill contains a provision for Medicaid Low Income Pool (LIP) funding, resulting in an \$80.4 billion budget. The House's budget bill,

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HB 5001, does not include LIP funding, and thus provides for only a \$76 billion budget. The budget negotiations will likely come to a number somewhere between those two.

**SB 2502: Relating to Implementing the General Appropriations Act**

SB 2502, filed by the Senate Appropriations Committee, is the general budget implementation bill. It differs from its House counterpart, HB 5003, in that it includes a provision for the inclusion of Low Income Pool (LIP) funding into the budget. The bill also bases its calculations for the LIP funding on the passage of SB 7044, which would have created the Florida Health Insurance Exchange program. The House budget implementation bill is largely identical, save for the portion that refers to the continuation of LIP funding. The bill also includes a section on the implementation of Amendment 1, which would require the passage of Senate Bills 576-586.

**SB 7054: Relating to the Department of Transportation**

SB 7054, filed by the Appropriations Committee, is a general transportation funding initiative. Notably, it authorizes the creation of the Florida Shared-Use Nonmotorized Trail Network. This bill could become a vehicle for a number of different transportation initiatives that did not come up for a vote during the regular legislative session; these include legislation relating to bicycle safety (formerly contained in HB 231, by Representative Passidomo) and an overhaul of various different transportation-related issues formerly contained in HB 7075, which was filed by the House Transportation and Ports Subcommittee.